D.P.U. 94-1B

Application of Boston Edison Company:

(1) under the provisions of G.L. c. 164, § 94G, as amended by St. 1981, c. 375, and the Company's tariff, M.D.P.U. 592-A, for approval by the Department of Public Utilities of a change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing months of May, June, and July 1994; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. and M.D.P.U. 545-A. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

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Applicant

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I. INTRODUCTION

On April 4, 1994, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Boston Edison Company ("BECo" or the "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. 592-A, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 545-A. The Company requested that both these changes be effective for bills issued pursuant to meter readings in the billing months of May, June, and July 1994. The matter was docketed as D.P.U. 94-1B. Pursuant to notice duly issued, a public hearing on the Company's application was held on April 27, 1994, at the Department's offices in Boston. Notice of the hearing was published in the Boston Herald and the Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. The Attorney General of the Commonwealth ("Attorney General") intervened pursuant to G.L. c. 12, § 11E.

At the hearing, the Company sponsored two witnesses: Rose Ann Pelletier, power contracts division manager in the fuel and power contracts department and Anne M. Lynch, fuel rate analyst in the fuel and power contracts department. The Company offered documentation of its fuel charge and performance adjustment calculations in Exhibits BE-1 through BE-10. By motion filed April 20, 1994, the Company sought confidential treatment of Exhibit BE-10, Performance Indicators for the U.S. Nuclear Utility Industry 1993 Year-End Report issued by the Institute of Nuclear Power Operations. The motion was not opposed and was granted on the record (Tr. at 5).

BECo is a public utility engaged principally in the generation, purchase, transmission, distribution, and sale of electricity. The Company supplies retail electric service to an area of approximately 590 square miles encompassing the City of Boston and 39 surrounding cities and towns. BECo serves about 560,000 residential customers, 90,000 commercial customers and 1,700 industrial customers. BECo also supplies wholesale electricity to other utilities and municipal electric departments.

The Company's last rate increase occurred in October of 1992 as a result of the Department's approval of a settlement agreement ("1992 Settlement") in Boston Edison Company, D.P.U. 92-92 (1992). The Company's previous rate increase before D.P.U. 92-92 occurred in October 1989 as a result of the Department's approval of a settlement agreement ("1989 Settlement") in Boston Edison Company, D.P.U. 88-28/88-48/89-100 (1989).

II. FUEL CHARGE

On April 20, 1994, the Company, pursuant to G.L. c. 164, § 94G(b), filed with the Department its proposed changes to its fuel charge and QF power purchase rates for the billing months of May, June, and July 1994. The Company's fuel charge is composed of a fuel cost component and a New Performance Adjustment Charge ("NPAC") levied in accordance with the 1989 Settlement and a Fossil Generation Performance Adjustment Charge ("FGAC") levied in accordance with the 1992 Settlement.

A. FUEL COST COMPONENT

The Company proposed a fuel cost component of $0.03076 per kilowatthour ("KWH"), an increase of $0.00433 per KWH from the fuel cost component presently in effect (Exh. BE-2, at 1). The Company also proposed a total fuel charge of $0.03485 per KWH, an increase of $0.00435 from the total fuel charge presently in effect (id.).

The Company stated that the increase in the proposed fuel adjustment charge is due to a decrease in the cumulative overrecovery position and the relationship between forecast billed retail sales and forecast monthly retail output (Exh. BE-1, at 4). The Company forecasts that it will be in an estimated $2.0 million underrecovery position as of May 1, 1994, compared to a forecast $10.8 million cumulative overrecovery position entering the February through April 1994 quarter (id.). The Company explained that the $12.8 million swing in the cumulative recovery position entering the forecast quarter results in an increased fuel charge (id.). The Company is also forecasting lower billed retail sales this quarter as compared with the prior quarter and stated that this results in an increased fuel charge (id.).

Partially offsetting the increase in the fuel charge are a forecasted decrease in system expenses and a replacement power expense refund. The Company stated that it is forecasting a decrease in expenses of $3.5 million, which is the net impact of (1) a slight increase in fuel prices; (2) a change in dispatch due to scheduled maintenance outages and unit availabilities; and (3) a decrease in capacity expenses due to the Central Maine Power settlement approved by the Federal Regulatory Energy Commission which resulted in Central Maine Power's refunding approximately $250,000 to the Company in this quarter (id. at 4; Tr. at 13-15).

On January 25, 1994, the Department issued its decision in Boston Edison Company, D.P.U. 93-1A-A (1994) ("D.P.U. 93-1A-A"), the Department's performance review of the Company's generating facilities for the performance year November 1991 to October 31, 1992. In D.P.U. 93-1A-A at 26-27, the Department ordered a number of disallowances for replacement power costs attributed to a portion of an unplanned outage at Pilgrim Nuclear Power Station ("Pilgrim") and to a delay of a major overhaul at Mystic 4. The Department ordered the Company to refund to its customers expenditures for replacement power made during the performance year. Id. During the prior quarter, the Company returned a preliminary amount of $1.0 million associated with the replacement power expense disallowed in D.P.U. 93-1A-A to its customers through its fuel charge (Exh. BE-1, at 5). In the May through July, 1994 quarter, the Company proposed to return an amount of $1.5 million[1] associated with replacement power expenses (id.). The incremental $0.5 million refund between the two quarters reduces the fuel charge (id.; Tr. at 19).

B. NEW PERFORMANCE ADJUSTMENT CHARGE

In accordance with the terms of the 1989 Settlement, a Performance Adjustment Charge ("PAC") went into effect for the three-year period beginning November 1, 1989. See BECo Tariff M.D.P.U. 783. The 1989 Settlement further provided that beginning November 1, 1992, an NPAC would take the place of the PAC (1989 Settlement at 8). See BECo Tariff M.D.P.U. 784. The NPAC will remain

[1] This amount includes the remaining portion of the replacement power expense which was disallowed in D.P.U. 93-1A-A and associated interest, as well as replacement power costs attributable to two events in December 1992 which the Company voluntarily refunded (Exh. BE-3, at 1).

in effect until October 31, 2000 (1989 Settlement at 11). In D.P.U. 94-1A at 18, the Department approved an NPAC of $0.00407 for the billing months of February, March and April 1994. The Company proposed2 an NPAC for May, June, and July 1994, of $0.00409 per KWH, an increase of $0.00002 per KWH from the NPAC currently in effect (Exh. BE-1, at 9).

As defined in the 1989 Settlement, the NPAC is calculated as:

NPAC = [(POUT x PRAT) + SALP + PIA]/KWH, where

POUT = one-third of the Company's retail share of the KWHs of net power generated at Pilgrim during the performance year[2] during which the NPAC will be in effect;

PRAT = the Pilgrim Cent-Per-KWH Rate established under the 1989 Settlement;

SALP = a Systematic Assessment of Licensee Performance Adjustment;

PIA = a Performance Indicator Adjustment; and

KWH = the estimated number of KWHs to be sold by BECo under rates subject to the Department's jurisdiction during the applicable performance year (1989 Settlement at 9-11).

The product of the POUT multiplied by the PRAT, referred to by the Company as the Capacity Factor Adjustment ("CFA"), for the twelve-month period from November 1, 1993 to October 31, 1994 is

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2 The term "performance year" shall refer to any of the eleven consecutive twelve-month periods beginning November 1, 1989 (1989 Settlement at 9-11).

$52,885,459 (Exh. BE-4, at 2). The CFA is based on a forecasted 81 percent Pilgrim annual capacity factor ("CF") for the 1993-1994 performance year (id.).

The SALP Adjustment is based on Pilgrim's average SALP score issued by the U.S. Nuclear Regulatory Commission ("NRC") (1989 Settlement at 9). The NRC issued its most recent SALP evaluation on May 21, 1993. The average SALP score for Pilgrim in this report was 1.43 (Exh. BE-4, at 4). The 1989 Settlement provides that for each one tenth of a point that the SALP score is less than 1.6, $500,000 will be added to the NPAC costs to be recovered over the remainder of the performance year (1989 Settlement at 9-11); thus, an increase of $50,000 will be made for each hundredth of a point by which the SALP score is less than 1.6. Since the Company's score is 1.43, seventeen hundredths of a point less than 1.6, the Company has included a positive adjustment of $850,000 ($50,000 x 17) in the calculation of the NPAC (Exh. BE-4, at 4-5).

The PIA contains five individual measures reflecting performance at Pilgrim: (a) Automatic Scrams While Critical; (b) Safety System Failures; (c) Safety System Actuations; (d) Collective Radiation Exposure; and (e) Maintenance Backlog Greater Than Three Months Old (1989 Settlement at 9-11). The PIA is based on Pilgrim's performance relative to the industry.

For the purposes of calculating the performance adjustment charge, the Company estimated that Pilgrim's performance on each of the five indicators will fall within the neutral zone (Exh. 4, at 5-7). Accordingly, the Company forecasts the Performance Indicator Adjustments for the current period to be zero (id.).

According to the terms of the 1989 Settlement, the PAC and the NPAC may be calculated using estimates of these performance factors (1989 Settlement at 7, 11). The 1989 Settlement also provides that the Company shall reconcile any estimates used in calculating a quarterly PAC or NPAC when final information concerning the performance factor values becomes available (id.). The NPAC may change on a quarterly basis because the Company's forecast of retail KWH sales has changed or because the Company has under- or overrecovered revenues from the previous quarter. The Performance Adjustment Charge and each of its components are subject to reconciliation at the conclusion of each twelve-month period.

C. FOSSIL GENERATION PERFORMANCE ADJUSTMENT CHARGE

The FGAC is comprised of two parts: (1) an Equivalent Availability Factor ("EAF") Incentive; and (2) a Heat Rate Incentive (1992 Settlement at 4-6).

The EAF Incentive is based on the weighted average annual EAF for the Company's fossil units -- Mystic Units 4, 5, 6, and 7, New Boston Units 1 and 2, and the Company's combustion-turbine units -- where weighing is a function of unit capacity (id. at 4). The EAF neutral zone is set at 76 percent to 84 percent. For each percentage point that the EAF falls below 76 percent for any performance year, the EAF Incentive will be a negative adjustment of $500,000. For each percentage point that the EAF is above 84 percent for any performance year, the EAF Incentive will be a positive adjustment of $500,000. The EAF may not exceed $3 million, positive or negative, for any performance year (id. at 4-5).

The Heat Rate Incentive applies to the annual average heat rate at the Company's Mystic Unit 7 (id. at 5-6). The specific heat rate goal varies based on the capacity factor achieved at Mystic Unit 7. For any performance year, the Heat Rate Incentive will be a positive adjustment of $7,500 for each British Thermal Unit ("BTU") per KWH that Mystic Unit 7's annual average heat rate drops below the neutral zone. The Heat Rate Incentive will be a negative adjustment of $7,500 for each BTU per KWH that the heat rate exceeds the neutral zone for any performance year (id.).

For the forecast period, the Company anticipates that its performance in each of these areas will fall within the neutral zone. Accordingly, the Company has proposed no adjustment through the

FGAC (Exh. BE-5, at 1-3).

III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak.

In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighing is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b).

In Exhibit BE-6, the Company has proposed the following standard rates to be paid to QFs during May, June, and July 1994:

Energy Rates By Voltage Level (Dollars/KWH)

Voltage Level	Peak	Off-Peak	Total
115 KV	0.02578	0.02126	0.02272
14 KV	0.02622	0.02158	0.02309
4 KV	0.02638	0.02170	0.02322
Secondary	0.02692	0.02209	0.02366

Short-Run Capacity Rates

Voltage Level	Short-Run Capacity Rate
115 KV	0.02909 dollars/KWH
14 KV	0.02991 dollars/KWH
4 KV	0.03035 dollars/KWH
Secondary	0.03131 dollars/KWH

IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of May, June, and July 1994 shall be $0.03485 per KWH. The fuel charge shall be comprised of a fuel cost component calculated as shown in Table 1 attached to this Order, and a New Performance Adjustment Charge calculated as shown in Table 2 attached to this Order; and

2. that the QF power purchase rates for May, June, and July 1994 shall be the rates set forth in Section III of this Order.

V. ORDER

Accordingly, after due notice, public hearing, and consideration, it is

ORDERED: That Boston Edison Company is authorized to put into effect a quarterly fuel charge of $0.03485 per kilowatthour as set forth in Section IV, Finding 1, of this Order for bills issued pursuant to meter readings in the billing months May, June, and July 1994, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of May, June, and July 1994 shall be those stated in Section III and found to be proper in Section IV of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G(a) and (b), the fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charge; and it is

FURTHER ORDERED: That the fuel charge shall appear as a separate item on all customers' electric bills and shall be referenced with a footnote that will identify each customer's fuel-cost component and will explain that the fuel charge also includes the New Performance Adjustment Charge.

By Order of the Department,

Kenneth Gordon
Chairman

Barbara Kates-Garnick
Commissioner

Mary Clark Webster
Commissioner